

STANDARD
& POOR'S

CITIGROUP S&P GLOBAL STARS CUSTOM INDEX

INDEX METHODOLOGY

March 2008

Citigroup S&P Global STARS Custom Index

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Introduction

Highlights

- STARS (STock Appreciation Ranking System) is Standard & Poor's global proprietary stock ranking system, which has existed since 1987.
- It is a qualitative evaluation based on an analyst's determination of the future appreciation potential of a specific common stock relative to the appropriate S&P benchmark index, based on a 12-month time horizon.
- Stocks are ranked between 5 STARS (highest) and 1 STARS (lowest) based on a combination of intrinsic value analysis, technical analysis, relative valuation, sum of parts analysis and a top-down industry and macroeconomic overlay.
- The Citigroup S&P Global STARS Custom Index (the "Index") is an index calculated on a total return basis and designed to provide equally-weighted exposure to the highest ranked stocks in STARS, which have high gross margins and low price-to-sales ratios.
- The Index is published in three currencies (the "Index Currencies") – the U.S. Dollar, the Euro and the British Pound Sterling – by taking an index stock's price in its local currency and converting it into U.S. Dollars, Euros and Pounds at the prevailing exchange rate.
- The Index is intended to consist of 25 stocks with the following allocation per region: 10 U.S, 10 European and 5 Asian stocks. These are target numbers, the actual number of stocks per region may be fewer than the above targets and the total number of stocks within the Index may be fewer than 25.
- Stocks in the Index have to meet liquidity, sector concentration and market capitalization requirements.

S&P STock Appreciation Ranking System

STARS (STock Appreciation Ranking System) is a proprietary Standard & Poor's stock ranking system that has existed since 1987 for U.S. stocks and since 2002 for European and Asian stocks. It is an analyst-derived, qualitative evaluation. It is based on an analyst's determination of future appreciation potential of a specific common stock

relative to its relevant S&P benchmark index¹ given a 12-month time horizon. The overarching investment philosophy driving the methodology is “Growth at a Reasonable Price.” Rankings range from 5 to 1.

- 5 STARS (Strong Buy): The total return of the stock is expected to outperform that of its relevant S&P benchmark index over the next 12 months by a very wide margin, with shares rising in price on an absolute basis.
- 4 STARS (Buy): The total return of the stock is expected to outperform that of its relevant S&P benchmark index over the next 12 months, with shares rising in price on an absolute basis.
- 3 STARS (Hold): The total return of the stock is expected to closely approximate that of its relevant S&P benchmark index over the next 12 months, with shares generally rising in price on an absolute basis.
- 2 STARS (Sell): The total return of the stock is expected to under-perform that of its relevant S&P benchmark index over the next 12 months, and share price is not expected to show a gain.
- 1 STARS (Strong Sell): The total return of the stock is expected to under-perform that of its relevant S&P benchmark index over the next 12 months by a wide margin, with shares falling in price on an absolute basis.

On a global basis, Standard & Poor’s has such rankings on more than 1,900 stocks based on the recommendations of more than 100 equity research analysts located around the world.

Determination of STARS

The determination of a STARS ranking is made by the assigned Standard & Poor’s analyst based on the following factors:

- Intrinsic Value Analysis: Determining the “fair value” of a stock based principally on discounted cash flow (DCF) analysis. Essentially, estimates of future “free” cash flows are discounted back to their current value, incorporating such variables as risk assessment and a company’s capital structure.
- Relative Valuation: Assessing a security’s relative value by comparing appropriate financial ratios across its closest peers.
- Sum-of-parts: Determining the “fair value” of a stock by determining private market values for identifiable, separate units.
- Technical Analysis: Favors stocks with positive relative strength (momentum). This principally relies on 200-day moving averages.
- Top-Down Overlay: Emphasis on economic sectors and industry groups that are identified as relative out-performers by senior investment strategists. Forecasts are

¹ Benchmark S&P Indices are as follows: for U.S. stocks – the S&P 500; for European stocks – the S&P Europe 350; and, for Asian stocks – the S&P Asia 50.

reliant on collective economic and market projections by Standard & Poor's Investment Policy Committee.

Eligibility Criteria

Index Eligibility

The Index is designed to provide exposure to a basket of the highest ranked stocks in the STARS universe. It is equally weighted and rebalanced semi-annually to take into account any changes in ranking. It consists of a maximum of 25 stocks with a target allocation per region of 10 U.S., 10 European and 5 Asian stocks.

On the Reference Date immediately preceding the relevant Rebalancing Dates, to be eligible for selection for the Index, a stock must comply with the following criteria to be considered an “Eligible Stock”:

1. It must have a ranking of 4 or 5 STARS.
2. The stock shall have a market capitalization of at least US\$ 1 billion.
3. The arithmetic average value of the daily volume traded of the stock, over the three months prior to the relevant Reference Date, shall be at least US\$ 25 million.
4. The stock must be listed on a primary exchange in one of the countries shown in Appendix 2, the “Inclusion List.” If a stock has a primary listing (i.e. local listing) in a country which is in the Inclusion List, as well as a secondary listing(s) in a country(ies) that is also part of the Inclusion List, then only the primary listing stock will be eligible. The Inclusion List shown in Appendix 2 is based on the list of countries covered by S&P’s Global Equity Research as of February 29th, 2008.
5. Citigroup’s stock and ADR stocks are not eligible.

The “Reference Date” means the first day of the months of June and December. If the first day is not a business day then the last business day of the preceding month is used. “Rebalancing Dates” means the third Friday of the months of June and December. If the Rebalancing Date is a Disrupted Day (as defined in Appendix 1) the Rebalancing Date shall be the next succeeding Scheduled Trading Day, which is not a Disrupted Day.

On each Reference Date, S&P shall determine which eligible stocks will constitute the Index effective after the market close of the next Rebalancing Date, in accordance with the following criteria:

1. All Eligible Stocks are ranked by gross margin, with a maximum of 50 from each region being selected.
2. The stocks selected by gross margin are, then, ranked from the lowest to the highest price-to-sales ratio

3. The appropriate target number of stocks (10 U.S, 10 European and 5 Asian) is, then, selected from each region, in order of the lowest price-to-sales ratio. If the target number of stocks is not met, then the Index may consist of fewer than 25 stocks.
4. Notwithstanding the above, the eligible stocks selected for inclusion in the Index on any Rebalancing Date must also satisfy a sector concentration limit, being that the number of stocks in any one sector -- based on the Global Industry Classification Standard (GICS)² -- may not exceed three for the U.S. constituents, two for European constituents and two for Asian index constituents.

² The Global Industry Classification Standard (GICS) was developed by and is the exclusive property and a trademark of Standard & Poor's, a division of The McGraw-Hill Companies, Inc. and MSCI Barra.

Index Construction

Index Calculations

The basket is calculated by means of the divisor method used in most Standard & Poor's equity indices. The initial divisor is set to have a base index value of 100 on June 30 2002, with historical levels calculated from June 14, 1996³. The Price Return Basket Value is simply the basket market value divided by the basket divisor:

$$\text{Price Return Basket Value} = \text{Basket Market Value} / \text{Basket Divisor} \quad (1)$$

$$\text{Basket Market Value} = \sum_{i=1}^N \text{Basket Stocks}_i * \text{Price}_i \quad (2)$$

Price_i is the stock price at the close of the day converted, if needed, from its local currency into the currency of the Index (U.S. Dollars, Euros or Pounds, as applicable) using the prevailing exchange rate available from WM/Reuters.

$$\text{Basket Stock}_i = \text{IWF}_i * 1,000,000,000 \quad (3)$$

Twice a year, on the relevant Rebalancing Dates, the investable weight factors (IWFs) are set so that each constituent stock has equal weight. IWFs for all constituent stocks are calculated using Equation 4 below, with $\text{Weight} = 1/N$, where N is the number of constituent stocks in the Basket.

$$\text{IWF}_{i, \text{after rebalancing}} = \frac{\text{Weight} * \sum_{i=1}^N \text{Price}_{i, \text{rebalancing date}}}{\text{Price}_{i, \text{rebalancing date}}} \quad (4)$$

The basket is never exactly equally weighted except at the close of trading on the final trading date of the Rebalancing Period.

³ Prior to June 30th 2002 the STARS universe was comprised only of U.S. stocks.

Total Return Calculations

The Price Return Basket Value shown in Equation 1 refers to price returns and does not incorporate dividends. The Total Return Basket Value will add net dividends converted to US Dollars, Euros or Pounds, as applicable, using Basket Dividend Points, to the Price Return Basket Value. Dividends will be added on their ex-dates. The Total Return Basket Value on any given date t is as follows:

$$\text{Total Return Multiplier}_t = \frac{[\text{Price Return Basket Value}_t + \text{Basket Dividend Points}_t]}{\text{Price Return Basket Value}_{t-1}} \quad (5)$$

$$\text{Total Return Basket Value}_t = \text{Total Return Basket Value}_{t-1} * \text{Total Return Multiplier}_t \quad (6)$$

$$\text{Basket Dividend Points}_t = \sum_{i=1}^N (1 - \text{Tax Rate}_{i,t}) * \text{Basket Stocks}_{i,t} * (\text{Ex-dividends})_{i,t} / \text{Basket Divisor}_t \quad (7)$$

The tax rate refers to withholding taxes on dividends imposed on a Luxembourg based holding company investing as a non-resident investor. Standard & Poor's revises these rates annually in the second quarter of the year. The principal source for the rates is the annual Ernst & Young Worldwide Corporate Tax Guide. Standard & Poor's may also consult other sources including the Citigroup tax department.

Basket Dividend Points will be zero on those dates in which no basket constituents are going ex-dividends, while on other dates it will be a positive number. Therefore, returns calculated from Total Return Basket Value will always be greater than or equal to those calculated using the Price Return Basket Value.

Index Maintenance

Rebalancing

Semi-annually, on the Reference Date immediately preceding the relevant Rebalancing Dates, stocks are selected in accordance with the criteria described above as new constituents of the Index.

To maintain continuity in the index series, the basket divisor is recalculated as per Equation 8 below. (Subscripts AR and BR refer to “After Rebalancing” and “Before Rebalancing” respectively.)

$$Basket\ Divisor_{AR} = \frac{Basket\ Market\ Value_{AR}}{Basket\ Market\ Value_{BR}} * Basket\ Divisor_{BR} \quad (8)$$

If the Rebalancing Date is a Disrupted Date then the rebalancing is carried out on the next Scheduled Trading Date. If the Rebalancing Date is a holiday, then the rebalancing is carried out on the prior Thursday, following the quarterly re-weighting schedule of the S&P Equal Weight Indices.

Corporate Actions

Application of all corporate actions in the Index are in accordance with standard S&P practices as they relate to the calculation of equal-weighted indices.

Action	Adjustment made to the Index	Divisor adjustment?
Spin-off	The Price is adjusted to the Price of the Parent Company minus (the Price of the Spin-off company/Share Exchange Ratio). Basket Stocks change according to Equation 4, with the weight used being the same weight the company had before the spin-off.	No
Right Offering	The Price is adjusted to reflect the rights issuance. Basket Stocks change according to Equation 4, with the weight used being the same weight the company had before the rights offering.	No
Stock Split	The stock is multiplied by and the price is divided by the split factor.	No
Share Issuance or Share Repurchase	None	No
Special Dividends	The stock price is reduced by the ex-dividend amount after the close of trading on the trading day before the ex-date. There is a corresponding divisor adjustment to keep the Index level unchanged.	Yes

Mergers, acquisitions, delistings, etc., can be viewed as one of the above events or a combination of them.

Index Governance

Selection Policy

Standard & Poor's shall determine and implement all policies regarding the constituent stocks, structure or methodology and will make any adjustments to the Index in accordance with the methodology agreed with Citigroup. Citigroup, together with Standard & Poor's, may review and change the methodology from time to time.

The equity research reports and recommendations provided by Standard & Poor's Equity Research Services are prepared separately from any other analytic activity of Standard & Poor's. In this regard, Standard & Poor's Equity Research Services has no access to non-public information received by other units of Standard & Poor's. Standard & Poor's does not trade for its own account.

Index Dissemination

Tickers

The Index level is reported on a daily basis and disseminated on Standard & Poor's Web site at www.standardandpoors.com and through third-party data vendors.

Index	Bloomberg	Reuters
Citigroup S&P Global STARS Custom Index TR USD	CSTARSGD	.CSTARSGD
Citigroup S&P Global STARS Custom Index TR EUR	CSTARSGE	.CSTARSGE
Citigroup S&P Global STARS Custom Index TR GPB	CSTARSGP	.CSTARSGP

Appendix

Appendix 1: Disrupted Day Definition

"Component Security" is any security in the relevant STARS Basket, provided that on any Rebalancing Date, the Component Securities shall include only those stocks that will be included in the relevant STARS Basket as of the market close of the Rebalancing Date.

"Early Closure" means the closure on any business day for the relevant Exchange, with respect to any Component Security, prior to its scheduled closing time unless the Exchange announces such earlier closing at least one hour prior to the earlier of

- the actual closing time for the regular trading session on the Exchange on such business day, or
- the submission deadline for orders to be entered into the Exchange system for execution at the relevant valuation time on such business day.

"Exchange" means each exchange on which any Component Security is, in the determination of the Index Committee, principally traded.

"Exchange Disruption" means any event (other than an Early Closure) that disrupts or impairs (as determined by the Index Committee) the ability of market participants, in general, to effect transactions in or obtain market values for any Component Security on the Exchange on which such Component Security is principally traded.

"Market Disruption Event" means the occurrence or existence, with respect to any Component Security, of:

1. A Trading Disruption, which the Index Committee determines is material, at any time during the one hour period that ends at the relevant valuation time with respect to the Exchange on which such Component Security is principally traded;
2. An Exchange Disruption, which the Index Committee determines is material, at any time during the one hour period that ends at the relevant valuation time with respect to the Exchange on which such Component Security is principally traded; or
3. An Early Closure with respect to the Component Security; and the aggregate of all component securities in which a trading disruption, an exchange disruption or an early closure occurs or exists, comprises 20% or more of the aggregate number of all Component Securities for which the Exchange was scheduled to be open for regular trading on such day.

"Scheduled Trading Day" means any day in which the number of Component Securities, which are listed on an Exchange scheduled to be open for regular trading, comprise at least 80% or more of the total number of Component Securities.

"Trading Disruption" means any suspension of or limitation imposed on trading by the relevant Exchange, or otherwise, whether by reason of movements in price exceeding limits permitted by the relevant Exchange or otherwise relating to any Component Security on the Exchange.

All other capitalized terms above shall have the respective meanings given thereto in the 2002 ISDA Equity Derivatives Definitions.

Appendix 2: Inclusion List

The Inclusion List shown below is based on the list of countries covered by S&P's Global Equity Research as of February 29, 2008. S&P will advise Citigroup of any new countries covered by their research team prior to each new Reference Date. Citigroup may amend the Inclusion List from time to time. The new list will, then, supersede the previous list.

1. Australia
2. Belgium
3. Canada
4. Denmark
5. Finland
6. France
7. Germany
8. Hong Kong
9. India
10. Ireland
11. Italy
12. Japan
13. Netherlands
14. Norway
15. Singapore
16. South Africa
17. South Korea
18. Spain
19. Sweden
20. Switzerland
21. Taiwan
22. United Kingdom
23. United States

Appendix 3: Definitions

Gross Margin: This concept is the 12-Months Moving Net Sales minus the 12-Months Moving Cost of Goods Sold. This total is divided by the 12-Months Moving Net Sales and multiplied by 100. If the Cost of Goods Sold for the current quarter is not available, the value for the previous quarter will be used.

Price-to-Sales: This item represents total market capitalization divided by gross sales. Gross sales are defined as the amount of actual billings to customers for regular sales completed during the period reduced by cash discounts, trade discounts, and returned sales and allowances for which credit is given to customers.

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